



The City of Carlsbad's annual budget is like the spending plan for a typical family, only much larger. While a family might plan for such expenses as housing, food, clothing, transportation, or doctor bills, the city has responsibility for police and fire protection, libraries, parks, roads and more.

Each year as the city prepares its budget, the City Council, with input from the community and city staff, sets priorities for the coming year. The finished product is a balanced budget designed to make the best, most efficient use possible of the money entrusted to the city by the taxpayers.

The following pages explain where the city gets its money, the rules and guidelines for spending those dollars, and how the city's annual spending plan takes shape.

UNDERSTANDING THE City Budget





The City's Responsibilities

First and foremost, Carlsbad city government provides vital services to city residents, from police and fire protection, to running the city library system, to maintaining city parks and streets.

But the city also oversees a number of other "businesses" that provide direct services to the public, or support public services. Each of these entities has its own accounting structure and budget. For example, the city runs a water company, a sewer company, and construction companies that build parks, roads and storm drains. The city also runs a street lighting company and a property management company.

Separate Pots of Money

Not all budget dollars are the same. Some of the money the city receives goes into what is called the "general fund," meaning dollars that are unrestricted. The City Council has discretion over its general fund, which in 2009 is expected to range between \$115 million and \$120 million.

General fund money comes from three primary sources: property tax, sales tax and transient occupancy tax, also known as the hotel tax. Other sources of general fund money include building permit fees, business licenses, planning fees and fines.

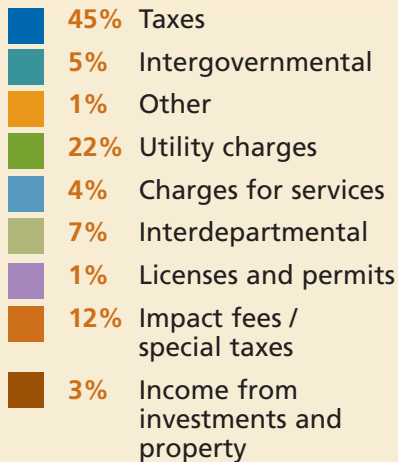
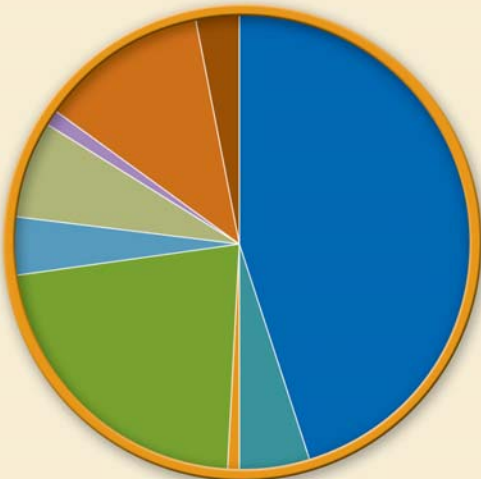
The general fund pays for such core services as police and fire protection, libraries, parks and recreation, and street maintenance and repair.

The city also receives money from a variety of other sources which must be used for specific purposes. These sources include water and sewer fees, gasoline taxes and developer fees. Money collected from water and sewer customers must be used to operate and maintain water delivery and sewage treatment facilities, gasoline taxes must fund road improvements and repairs, and developer fees must be used for projects that serve the developments where the fees are generated.



Finally, along with its operating budget, each year the city prepares a capital improvement budget, which is used for the construction of major projects such as buildings, parks and streets. As city officials set priorities for capital projects based on goals set by the City Council and the desires of the Carlsbad community, they must also consider the ongoing costs associated with these projects. For example, the city might have the money in its capital budget to pay for construction of a park, but the city's operating budget might not include the money to pay for the park's annual upkeep and expenses, such as maintenance, security and utilities.

Where the money comes from
[example from 2008-09 budget]



The Budget Cycle

The public generally hears about the city's budget in June, when the City Council holds its budget hearings and passes a budget for the next fiscal year, which starts July 1.

But behind the scenes, city staff – with direction from the City Council – starts working on the budget months earlier, in October and November of the previous year. In reality, work on the city budget goes on all year long.

Each fall, the city's Finance Department studies the previous year's budget to determine what changes might be needed based on revenue projections and spending. Following this analysis, finance staff begins assembling a draft of the next fiscal year's budget.

City Department Staff Prepare Their Budgets

After the first of the year, city departments begin working in earnest on their own budgets, in accordance with the goals established by the Council.

In a typical year, the department staff would start with their spending plan for the previous year, and then adjust it by a "growth factor," that takes into account anticipated changes in the consumer price index and negotiated salary increases.

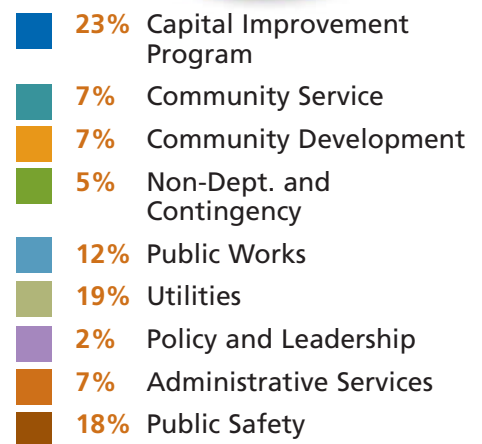
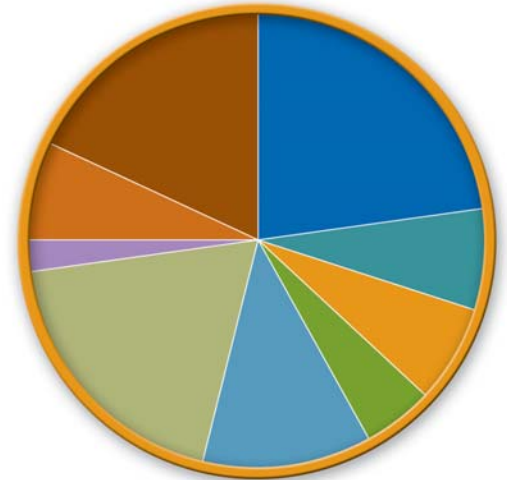
In March, departments submit their budgets to the Finance Department, which assembles the overall city budget. The city's leadership team reviews the budget in April, and Council members are briefed on the budget in May.

In June, the City Council holds public workshops on the operating and capital budgets for the coming year, and a session is held for citizens to learn about the budget and ask questions. Finally, the City Council meets in mid- to late June to approve the operating and capital budgets, before the start of the new fiscal year on July 1.

Ingredients for a Sound Budget

The Carlsbad City Council has established core fiscal principles to guide staff during the budget process. The city must have a balanced budget each year, and one-time funds are not used for ongoing expenses. When revenues drop due to fluctuations in the economy, the city tightens its belt to ensure that it will be able to pay its bills. The city also maintains prudent reserves in anticipation of sudden, unforeseen expenditures, just like a family might set aside a few dollars each month in case of a "rainy day."

Where the money goes
[example from 2008-09 budget]





The city has also established criteria for setting its spending priorities; for example, when looking at possible projects for the capital improvement budget, city planners ask a series of questions, such as whether the project is needed for the community's health and safety, to satisfy a legal mandate or to meet a city priority.

The city's budget is not created in a vacuum – every year, the Finance Department updates its 10-year economic forecast, which gives city leaders a glimpse of the economic future in both the near- and long-term. The economic forecast is critical as the new budget is being planned. The disciplined budget process allows the city to provide services and build reserves during periods of prosperity and growth, and to maintain operations with the least disruption possible during leaner economic times.

Flexibility and Prudence

By living within its means, and making adjustments when necessary, the city is able to stay on an even keel and avoid disruptions of vital services. During the current budget year (2008-09) the City Council approved mid-year spending cuts of about \$5 million from the approved budget, when anticipated revenue was less than expected.

The Role of the Residents

The residents of Carlsbad play a valuable role in establishing the city's budget each year. Their input guides the City Council as it sets budget priorities for city government.

Community members can participate in the process in a number of ways. They can attend meetings of boards and commissions to educate themselves and ask questions, and they can also interact with the City Council, either by phone, in person, by letter or email.

The city's budget is available for review at City Hall, library branches and online at the Finance Department Web page, www.carlsbadca.gov/finance.

Adoption of the Budget

The budget must be approved by the end of June, so the city has authorization to spend money once the new fiscal year begins.

Even after the new budget is adopted, the Finance Department monitors both ongoing revenue and expenditures, recommending adjustments as necessary.

And of course, by fall, the entire budget cycle begins once again for the new fiscal year that fast approaches.



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